
IOWA UTILITIES BOARD
Energy Section

Docket No.: RMU-2014-0007
(NOI-2014-0002)

Utility: AMENDMENTS TO PEAK
ALERT RULES, 199 IAC 20.11

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Memo Date: October 3, 2014

TO: The Board

FROM: Ellen Shaw, Team Leader
Brenda Biddle
Jim Kellenberg
Gary Stump
Jane Whetstone

SUBJECT: Recommendation to Commence Rule Making Regarding the
Board's Peak Alert Rules

I. Background

The Utilities Board's (Board's) peak alert rules became effective in 1983 and were last amended in 2003. Since 2004, the Board has granted MidAmerican Energy Company (MidAmerican) one- and two-year waivers of the Board's peak alert rules. In Docket No. WRU-2013-0005-0156, Order Granting Waiver, the Board commented that, since the Board has waived this requirement for MidAmerican each year since 2004, it may be appropriate to consider modifying or eliminating this rule.

On January 23, 2014, the Board initiated a notice of inquiry (NOI) which solicited comments regarding the Board's peak alert rules. On April 17, 2014, the Board issued the Order Soliciting Additional Comments. Participants that filed written comments included the Office of Consumer Advocate (OCA), the Environmental Law & Policy Center and the Iowa Environmental Council (ELPC and IEC), MidAmerican, Interstate Power and Light Company (IPL), the Iowa Association of Electric Cooperatives (IAEC), and the Iowa Association of Municipal Utilities (IAMU).

Participants generally agreed that the Board's peak alert rules should be revised in light of changes over the years in the electric industry.¹ The investor-owned utilities (IOUs), IPL and MidAmerican, recommended that

¹ Since municipal utilities are not subject to the Board's peak alert rules (per Iowa Code § 476.1B) IAMU filed general comments pertaining to the practices of municipal utilities.

the Board rescind its peak alert rules since utilities can measurably shed load through their demand response programs in a reliable and consistent manner, while any load shed as a result of peak alert notices is not easily measured. OCA and the ELPC and IEC recommended that the Board retain the rules because they serve an important public purpose alongside energy efficiency programs and can potentially engage customers who do not participate in energy efficiency programs to reduce usage when a peak approaches. The IAEC was supportive of rescinding the rules or modifying the rules to allow utilities to voluntarily notify customers of the benefits of reducing demand during peak periods, thus allowing utilities to educate consumers in the manner they deem most appropriate.

Board staff (staff) recommends that, while it is difficult to measure the load reduction that directly results from annual written peak alert notices and the issuance of peak alerts, the Board should not eliminate a rule that requires utilities to issue energy conservation messages to their customers. The current peak alert rules include minimum notice requirements. Utilities have included the minimum requirements in notices and additional information such as energy saving tips and assurances to customers that there will not be reliability issues. Peak alerts request that consumers change their actions temporarily, potentially engaging customers who do not participate in energy efficiency programs to make some changes in actions that may become habits.

The current peak alert rules, as well as staff's proposed amendments, can be divided into three main sections: annual written customer notice, peak alert notification, and annual peak alert reports. In each section, staff discusses NOI participant comments and proposes rule changes.

Annual written customer notice in 199 IAC 20.11(1):

The Board rule pertains to IOUs and rural electric cooperatives.

Several parties recommended in the NOI that the Board maintain the minimum content requirement of the annual written customer notices "explaining how growth in demand affects a utility's investment costs and why reduction of customer usage during periods of peak demand may help delay or reduce the amount of future rate increases." The parties noted that the utilities may elaborate on the message in the notices as needed. MidAmerican and IPL recommended that the Board modify the rules to be much less prescriptive and allow the utility to craft language that it believes is more appropriate for its specific conditions and circumstances.

Board staff notes that MidAmerican's waiver requests of the peak alert rules have described how the Board's required language potentially

conflicts with MidAmerican's other customer communications. For example, MidAmerican had a revenue requirement freeze in place for a number of years, so the message that a customer's actions may delay or reduce the amount of future rate increases did not fit MidAmerican's circumstances for several years. Another example is the rule's implicit message that electric conservation may delay the need for construction of facilities (investment costs) when, in fact, MidAmerican was continuing to pursue the addition of new renewable generation and transmission facilities to its energy supply portfolio.

Staff recommends that the Board propose annual written customer notices that are less prescriptive than current rules. The proposed rule would require the utility to inform customers regarding the condition(s) under which peak alerts would be issued and the means of informing customers of the alerts. The proposed rule would allow the utility to tailor the message to its circumstances. To accommodate utilities whose peak demand does not historically occur in the summer or the winter months, the proposed rule would specify that the utility must deliver the written notice no less than 30 days prior to the start of the utility's historical seasonal peak demand.

Peak alert notification plan in 199 IAC 20.11(2):

The Board rule pertains to IOUs.

MidAmerican and IPL agreed in the NOI that, if the rules are not rescinded, the Board should modify the conditions for issuing peak alerts, since the temperature triggers in the rule do not always correspond with possible capacity shortfalls and could be potentially confusing to customers as to whether or not an appliance cycling event was taking place. MidAmerican and IPL agreed that the conditions for issuing peak alerts should be consistent with the emergency alert procedures of the Midcontinent Independent System Operator, Inc. (MISO). The IAEC noted that utilities subject to the subrule may consider membership in a regional transmission organization other than MISO and, therefore, efforts to mirror MISO rules should be evaluated carefully. The ELPC and IEC commented that peak alerts should not be limited to only MISO emergency alerts and cautioned that giving complete discretion as to when peak alerts are issued could lead to the peak alert mechanism being underutilized or inappropriately utilized. OCA commented that MISO's emergency procedures are quite extensive and are not necessarily designed to address the objective of reducing peak demand in order to delay new generation. OCA recommended that the Board consider allowing each utility to tie the issuance of peak alerts to correspond to the utility's actual peak demand period.

Staff recommends that the Board remove the temperature requirements for issuing peak alerts and require each IOU to have on file with the Board the conditions that would prompt it to issue a peak alert. Each IOU should have historical information that enables it to identify conditions which would suggest an approaching peak demand. Staff is not convinced by the argument that utilities would underutilize peak alerts, since peak alerts are one of the options utilities may use to maintain system reliability. Each IOU would be required to file its conditions for issuing a peak alert after the Board adopts the amendments. As discussed in the last section of the rules, "Annual peak alert reports," the utility would indicate in its annual report filed the following year any modifications of its conditions for issuing peak alerts.

MidAmerican suggested that the Board consider eliminating 199 IAC 20.11(2)"a"(2), which requires the utility provide direct notice to customers whose load reduction will have a significant impact on the utility's peak. Customers large enough to have a significant impact on a utility's peak will have already been directly contacted by the utility about participation in the utility's load management program. MidAmerican commented that if such customers are not interested in participating in load management when offered a monetary benefit, it is unlikely they would be interested in making voluntary reductions when contacted directly about peak alerts. Staff recommends that the Board propose to remove the provision for direct notice to customers, as MidAmerican's argument is convincing.

The current rule language requires the peak alert message to include a "reduction in usage of electricity during the period of peak demand will ease the burden placed on the utility's system by growth in peak demand and may help delay or reduce the amount of future rate increases." As discussed under the "Annual written notice" section, such required language may contradict the utility's other communications.

In response to the NOI's request for a more updated or relevant peak alert message, IPL and MidAmerican filed the following examples:

IPL's example (under the assumption that peak alerts would be only issued when system-wide reliability issues are a concern):

Due to either record use, or issues and constraints on the energy grid, IPL expects the energy grid across the (insert geographical area) to reach a critical peak today. Because of these extreme conditions, IPL is calling a peak alert, and is asking customers to reduce electrical use from now until (insert specific time). Customers will reduce strain on the energy grid as they limit energy use. This will help IPL manage its supply and demand during this critical time. IPL

installs equipment to meet customer peak demand; however, IPL is asking for extra help from customers because of these extreme conditions.

MidAmerican's example highlighted key components of future peak alerts:

- Reason for the peak alert – record use/issues or constraints within the grid, etc.
- Acknowledgement of area impacted – entire service territory/grid
- Customer call to action statement – need to reduce energy consumption
- Specific timeframe – the hours a reduction in consumption is needed, and
- Convenience of participation – participation benefits to customers for voluntarily reducing their consumption; small changes in daily activities and actions today may become habits tomorrow and result in lower energy bills

Staff believes that the examples above show that utilities can tailor effective peak alert messages without prescriptive language in the Board rules. (If the proposed rule modifications are adopted, the IOUs would not be bound to the examples they provided in the NOI.) Staff notes that past peak alert messages have included tips on how to reduce electric use (which is language in addition to the minimum Board rule requirements), thus demonstrating that utilities have been able to craft practical peak alert messages.

Therefore, staff recommends that the Board propose a rule modification which allows the IOU to tailor its peak alert messages. Each IOU would be required to file its language after the Board adopts the amendments. As discussed in the last section of the rules, "Annual peak alert reports," the utility would indicate in its annual report filed the following year any modifications of its peak alert message.

Staff recommends that the Board propose to remove the requirement for the IOU to provide the projected costs of implementing its notification plan, since IOUs report the actual costs in their annual peak alert reports.² If there is a question of excessive costs in an IOU's annual report, the Board may require the IOU to provide an explanation of the costs and reasoning for whether or not the utility's plan should be modified.

² IPL's recent annual peak alert report in Docket No. IAC-2013-2011 indicated that no expenses were incurred for the six general peak alert notices issued because the radio, newspaper, and television stations provided the public service announcements as a community service.

Annual peak alert reports in 199 IAC 20.11(5):

The Board rule pertains to IOUs.

Staff recommends the Board modify the rule language by removing the requirement for kilowatt hour demand reporting in the annual peak alert reports. Since other factors affect demand during peak alerts, such as activation by utilities of appliance cycling and other demand response programs, the reduction in kilowatt hour demand during peak alerts is not a direct measure of customer responses to peak alert messages.

Staff recommends the Board propose a requirement that the utility file the language contained in its most recent annual customer notice. The current rules do not require the utility to file a copy of its annual customer notification. Since the proposed rules would allow the utility to tailor its annual customer notice, the annual reports would be an efficient method to access notice language that would be used for the upcoming annual notices.

Staff also recommends that the Board propose a requirement that the utility restate its peak alert language in its annual report. The current requirement is for the utility to have on file with the Board the language in its peak alert messages. The proposed requirement would make the annual reports more complete: Not only would the utility report the costs of the annual notices and peak alerts, the dates the peak alerts were issued, and any problems the utility experienced, the utility would specify the actual communications.

Additionally, staff recommends the Board propose a requirement that the utility indicate if it will continue to use the same language in its peak alert messages or if it will modify the language. Staff also recommends the Board propose a requirement that the utility indicate whether it will continue to use the same conditions for issuing a peak alert, or if it will modify the conditions.

II. Legal Standards

Iowa Code § 476.17 provides:

476.17 Peak-load energy conservation.

1. The board may promulgate rules pursuant to chapter 17A which require or authorize a public utility to establish peak-load management procedures.
2. Rules of the board shall relate to reducing or limiting the peak-load period consumption.

3. In promulgating rules under this section, the board is not bound by decisions, rulings or orders which relate to the definitions of types or classes of customers and which were issued by the Iowa state commerce commission prior to July 1, 1980.

III. Proposed Amendments

Staff recommends the Board propose the following rule changes:

Item 1. Amend subrule **199—20.11(1)** as follows:

20.11(1) Annual notice. Each electric utility shall provide its customers, on an annual basis, with a written notice ~~explaining how growth in demand affects a utility's investment costs and why reduction of customer usage~~ that informs customers of the significance of reductions in consumption of electricity during periods of peak demand may help delay or reduce the amount of future rate increases. The notice shall include an explanation of the condition(s) under which peak alerts would be issued and the means of informing customers that a peak alert is being issued. The notice shall be delivered to its customers ~~between May 1 and June 15 of each year if peak demand is likely to occur during the months of June through September. If peak demand usually occurs during the months of October through February, the notice shall be delivered to its customers between August 1 and September 15~~ no less than 30 days prior to the start of the utility's historical seasonal peak demand.

Item 2. Amend subrule **199—20.11(2)** as follows:

20.11(2) Notification plan. Each investor-owned utility shall have on file with the board a plan to notify its customers of an approaching peak demand on the day when peak demand is likely to occur.

~~a.~~ The plan shall include the following minimum requirements:

a. A description and explanation of the condition(s) that will prompt a peak alert.

~~(1)b.~~ A provision for a general notice to be given customers prior to the time when peak demand is likely to occur ~~as prescribed in 20.11(2) "b"~~ and an explanation of when and how notice of an approaching peak in electric demand will be given to customers.

~~(2) A provision for direct notice to be given customers whose load reduction will have a significant impact on the utility's peak. The utility shall provide for such notice to be given prior to the time when peak demand is likely to occur, as prescribed in 20.11(2) "b," and shall explain the criteria used to identify customers to whom notice will be given and when and how notice will be given.~~

~~(3) A statement showing the total costs, with each component thereof itemized, projected to be associated with implementing the plan. Notice~~

~~should be provided in the most efficient manner available. The board may reject a plan which includes excessive costs or which specifies an ineffective method of customer notification and may direct development of a new plan.~~

~~(4)c. The text of the general and direct message or messages to be given in the general notice to customers. The message shall, at a minimum, include the name of the utility or utilities providing the notice, an explanation that conditions exist which indicate a peak in electric demand is approaching, and a statement that reduction in usage of electricity during the period of peak demand will ease the burden placed on the utility's system by growth in peak demand and may help delay or reduce the amount of future rate increases an explanation of the significance of reductions in electricity use during a period of peak demand.~~

~~(5) A designation of the U.S. weather station(s), situated within the utility's service territory, whose temperature readings and predictions will be used by the utility in applying the standard in 20.11(2) "b."~~

~~(6) A provision for joint delivery, by two or more utilities, of the general notice to customers in regions of the state where U.S. weather station(s) predict conditions specified in 20.11(2) "b" will exist on the same day.~~

~~b. For purposes of this rule, peak demand is likely to occur on a nonholiday weekday between June 15 and September 15 when the following conditions exist:~~

~~(1) The utility's designated weather station predicts the temperature will rise above 95° Fahrenheit (35° Celsius), and the designated weather station officially recorded a temperature above 95° Fahrenheit (35° Celsius) on the previous day, or~~

~~(2) The utility's designated weather station predicts the temperature will rise to above 90° Fahrenheit (33° Celsius) on a day following at least two consecutive days of temperatures above 95° Fahrenheit (35° Celsius), as officially recorded by the designated weather station, but~~

~~(3) If a utility can demonstrate it would have been required to provide between June 15 and September 15 a peak alert notice to customers, because of the existence of the conditions set forth in 20.11(2) "b"(1) or 20.11(2) "b"(2), on more than six days in any one of the preceding ten years, the utility may substitute a 97° Fahrenheit (36° Celsius) standard in lieu of the 95° Fahrenheit (35° Celsius) standard in the subrule.~~

Item 3. Amend subrule **199—20.11(3)** as follows:

20.11(3) *Implementation of notification plan.* The utility shall implement the approved its notification plan on each day of the year when peak demand is likely to occur, as prescribed by as needed to alleviate the conditions described in 20.11(2) "b" "a".

Item 4. Amend subrule **199—20.11(4)** as follows:

20.11(4) Permissive notices. The standard for implementing peak alert notification in subrule 20.11(2) is a minimum standard and does not prohibit a utility or association of utilities from issuing a notice requesting customers to reduce usage at any other time.

Item 5. Amend subrule **199—20.11(5)** as follows:

20.11(5) Annual report. Each electric utility required by subrule 20.11(2) to file a plan for customer notification shall file, on or before April 1 of each year, a report for the prior year stating providing the number text of the annual written notice and of the peak alert notices given its customers, the dates when the notices were issued, and the annual costs of providing both general and direct notice the annual written notice and the peak alert notices to customers and measures of kilowatt hour demand at the time when notice was given and at hourly intervals thereafter until kilowatt hour demand decreases to the level at which it was measured when the notice was issued. The annual report shall also include a statement of any problems experienced by the utility in providing customer notification of a peak demand and a proposal to modify modifications of the plan, if necessary, to make customer notification more effective. ~~Modifications must be approved by the board before they are implemented.~~

IV. Recommendation

Staff requests the Board to direct General Counsel to prepare for Board review an "Order Commencing Rule Making" and "Notice of Intended Action" in accordance with the proposed amendments as described in this memo, and that directs the Executive Secretary to have the notice filed in the Iowa Administrative Bulletin.

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

/es

IOWA UTILITIES BOARD

/s/ Elizabeth S. Jacobs 10-15-14
Date

/s/ Nick Wagner 10/7/14
Date

/s/ Sheila K. Tipton 10/6/2014
Date